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TO SECSTATE WASHDC IMMEDIATE 1098

INFO AMEMBASSY BONN IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY KINSHASA IMMEDIATE

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C O N F I D E N T I A L SECTION 01 OF 07 BRUSSELS 08916

E.O. 11652: GDS

TAGS: PFOR, EAID, CG, BE

SUBJECT: TEXT OF BELGIAN PROPOSAL FOR MULTILATERAL
ASSISTANCE TO ZAIRE

REF: BRUSSELS 8901

FOLLOWING IS TEXT OF FOREIGN MINISTER SIMONET'S PROPOSAL
FOR MULTILATERAL ASSISTANCE TO ZAIRE (REFTEL).

BEGIN TEXT

PROBLEMS LINKED WITH ZAIRE'S ECONOMIC REVIVAL

1. ON 1ST JULY PRESIDENT MOBUTU GAVE AN IMPORTANT
SPEECH TO LA NSELE IN WHICH HE ANNOUNCED, TOGETHER
WITH POLITICAL AND INSTITUTIONAL REFORMS, THAT THE
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ECONOMIC SYSTEM WHICH WAS FOCUSSED TOO STRONGLY ON
CERTAIN REGIONAL POLES - IN PARTICULAR THE KINSHASA-
BAS ZAIRE AXIS AND SHABA - WAS TO BE DECENTRALISED.

THESE REFORMS, BASED ON DEMOCRATIC DEVELOPMENT
AND MORE MARKED PARTICIPATION OF THE POPULATION IN
POLITICS (FREE ELECTIONS IN OCTOBER) ARE AIMED AT

INTRODUCING AN ATMOSPHERE OF CONFIDENCE IN AN "ECONOMY WHICH ENCOURAGES PRIVATE INITIATIVE ORIGINATING BOTH FROM ZAIRE AND ABROAD."

CONDEMNING THE LOOPHOLES IN MANAGEMENT OF STATE ORGANS AND EXPRESSING SELF-CRITICISM OF THE POLITICAL, ADMINISTRATIVE AND ECONOMIC SYSTEMS OF THE COUNTRY, THE PRESIDENT OF THE REPUBLIC, IN PARTICULAR, STRESSED HIS INTENTION OF SETTING UP A "COUR DES COMPTES"

WITH ZAIRE EXECUTIVES ASSISTED BY FOREIGN EXECUTIVES WHOM WE SHALL BORROW FROM "FRIENDLY COUNTRIES."

IT IS AGAINST THIS BACKGROUND THAT THE RECENT APPEAL TO FRIENDLY COUNTRIES FOR INTERNATIONAL AID IN ZAIRE ECONOMIC REVIVAL MUST BE VIEWED.

2. ZAIRE'S ECONOMIC AND FINANCIAL SITUATION HAS DETERIORATED RAPIDLY OVER THE PAST FEW YEARS AS A RESULT OF A SERIES OF EVENTS INCLUDING:

- THE FALL IN WORLD COPPER PRICES;

- THE CLOSING DOWN OF THE MAIN COPPER TRANSPORT AND RAW MATERIALS SUPPLY ROUTE (BENGUELA RAILWAYS);

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- INCREASED PRICE OF OIL AND MOST IMPORTED PRODUCTS;

- DIFFICULTIES ARISING FROM DEVELOPMENT OF THE ECONOMY ALONG ZAIREAN AND RADICAL LINES; (ZAIRIANISATION RADICALISATION);

- LOOPHOLES IN THE OPERATION OF ADMINISTRATIVE AND VERIFICATION STRUCTURES - LOOPHOLES WHICH HAVE RESULTED IN A WASTE OF RESOURCES, PARTICULARLY IN MONETARY MATTERS, NON-REPATRIATION OF CERTAIN EXPORT RESOURCES.

EXCESSIVE CONCENTRATION OF INVESTMENT IN THE INDUSTRIAL AND MINING SECTORS HAS TIED THE ZAIRE ECONOMY TO EXPORT-ORIENTATED SECTORS WHICH ARE FAR TOO DEPENDENT ON OUTSIDE SOURCES FOR THEIR OPERATION (CAPITAL, SPARE PARTS AND FITTINGS).

THIS SITUATION, LINKED TO INADEQUATE AGRICULTURAL PRODUCTION, HAS MEANT THAT ZAIRE'S ECONOMY IS HEAVILY

DEPENDENT UPON IMPORTS.

THUS THE ZAIRE AUTHORITIES - AWARE OF THESE
DIFFICULTIES - HAVE NOW SELECTED THE FOLLOWING PRIORI-
TIES:

- AGRICULTURE, IN PARTICULAR FOOD CROPS, HAS BEEN GIVEN
"TOP PRIORITY." THIS WOULD MEAN THAT FOREIGN EXCHANGE
CURRENTLY USED TO IMPORT FOOD PRODUCTS COULD BE SAVED
AND EFFORTS WOULD BE CONCENTRATED ON REINTRODUCING
CERTAIN PRODUCTS ON FOREIGN MARKETS;
- IMPROVEMENT OF EXISTING ROAD AND RAIL TRANSPORT STRUC-

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TURES TOGETHER WITH RIVER, AIR AND MARITIME STRUCTURES;
- IMPROVEMENT OF THE POPULATION'S LEVEL OF HEALTH AND
EDUCATION - PARTICULARLY IN RURAL AREAS.

THE INVESTMENT WHICH HAS, TO DATE, BEEN CONCEN-
TRATED ON ENERGY AND BASIC INDUSTRY WILL, ACCORDING
TO ZAIRE AUTHORITIES, FROM NOW ONWARDS BE REORIENTATED
TOWARDS PRODUCTION SECTORS - AGRICULTURE AND AGRICULTURAL
INFRASTRUCTURE IN PARTICULAR.

3. THOSE COUNTRIES WHICH HAVE BEEN ZAIRE'S TRADI-
TIONAL PARTNERS MUST WELCOME A REVIVAL OF THE ECONOMIC
SITUATION IN VIEW OF THE DANGERS WHICH COULD RESULT

FROM THE CURRENT PRECARIOUS POLITICAL SITUATION IN THIS REGION OF AFRICA.

MOREOVER, "RETROCESSION" MEASURES WERE ANNOUNCED ON 25TH NOVEMBER 1975 BY PRESIDENT MOBUTU IN ORDER TO OFFSET THE UNPREPAREDNESS AND UNSUPERVISED MANAGEMENT OF NEW BUSINESS DIRECTORS. THIS POLICY IS AIMED AT
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STIMULATING A MIXED ECONOMY AND IMPROVING BUSINESS OUTPUT WHILST STILL MAINTAINING ECONOMIC FREEDOM.

4. THE REVIVAL OF ZAIRE'S ECONOMY IS DIRECTLY LINKED TO A RE-ESTABLISHMENT OF THE COUNTRY'S BUDGETARY, ADMINISTRATIVE AND FINANCIAL SYSTEMS. THIS CAN ONLY BE ACHIEVED ON THE BASIS OF A COMPREHENSIVE LONG-TERM PLAN WHICH COVERS:

- MEASURES TO STRENGTHEN ADMINISTRATIVE AND VERIFICATION STRUCTURES - PARTICULARLY IN THE FIELD OF GOVERNMENT FINANCE AND FOREIGN TRADE;
- A POLICY TO IMPROVE FOREIGN ACCOUNTS AND TO REABSORB THE GOVERNMENT FINANCE DEFICIT (DEFICIT ACCUMULATED UP TO THE END OF JUNE 1974: 742,5 MILLION ZAIRES);
- A SERIES OF MEASURES COVERING THE KEY SECTORS OF THE ECONOMY SUCH AS AGRICULTURE (ESPECIALLY INTEGRATED RURAL DEVELOPMENT PROJECTS) AND TRANSPORT.

IN THE FIELD OF AGRICULTURE DEVELOPMENT MUST CONSIST ON THE ONE HAND IN INCREASING PRODUCTIVITY AND FOOD PRODUCTION AND ON THE OTHER HAND IN RAISING THE INCOME OF THE RURAL POPULATION. EIGHT ZAIRIANS OUT OF TEN DEPEND ON AGRICULTURE FOR THEIR LIVELIHOOD -

IMPROVING THEIR INCOME IS THUS NOT ONLY VITAL FROM A HUMANITARIAN POINT OF VIEW BUT ALSO FROM THE VIEWPOINT OF CREATING A VAST, INTERNAL MARKET.

IN THE LIGHT OF THESE AIMS, THE MEANS OF DEVELOPMENT EMPLOYED SHOULD AIM AT PLACING ZAIRIAN PEASANTS IN AN ECONOMICALLY FAVOURABLE ENVIRONMENT AS FAR AS CREDIT, PRICES, TECHNICAL SUPPORT AND MARKETING ARE CONCERNED.

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THIS WOULD MEAN THAT A SELF-SUFFICIENT AGRICULTURAL SYSTEM COULD BE DEVELOPED ALONGSIDE LARGE-SCALE AGRICULTURAL PROJECTS CURRENTLY ON HAND WHICH OFTEN

HAVE THE DRAWBACK OF NOT INVOLVING THE LARGE MAJORITY OF THE RURAL POPULATION AND REQUIRING A HIGH DEGREE OF FOREIGN AID AND CONSIDERABLE IMPORTS.

IN ADDITION TO THIS, ZAIRE'S TRANSPORT DEVELOPMENT POLICY SHOULD BE CLOSELY LINKED TO RURAL DEVELOPMENT SCHEMES.

- EDUCATION AND TRAINING PROGRAMMES WITH PRIORITY GIVEN TO THE TECHNICAL AND AGRICULTURAL FIELDS;

- CONTINUATION AND DEVELOPMENT OF MINING ACTIVITY WHICH WILL, FOR A LONG TIME YET, REMAIN THE MAIN SOURCE OF FOREIGN CURRENCY RESOURCES IN THE COUNTRY (70 OF RECEIPTS WITH - IN ORDER OF RANK - COPPER, COBALT, TIN, DIAMOND, GOLD, ZINC, MANGANESE) AND WHICH CAN PROVIDE THE STATE WITH THE FINANCIAL RESOURCES NECESSARY TO DIVERSIFY THE NATIONAL ECONOMY.

AS FOR COPPER AND COBALT, A PROGRAMME BACKED UP BY STRICT OPERATIONAL CONTROLS WILL BE NECESSARY IF THE LEVEL OF PRODUCTION - WHICH HAS BEEN ON THE DECLINE SINCE 1975 - IS TO BE RAISED.

FOR GOLD AND TIN, AS FOR COPPER, IF RICH DEPOSITS ARE EXHAUSTED WITHOUT ANY GEOLOGICAL RECONNAISSANCE BEING CARRIED OUT THEN THIS COULD VERY QUICKLY JEOPARDISE THE FUTURE OF THIS SECTOR OF OPERATIONS.

5. ZAIRE IS DERIVING BENEFIT FROM NUMEROUS PROGRAMMES OF FINANCIAL AID AND DEVELOPMENT COOPERATION. THESE ARE AT BILATERAL, REGIONAL AND MULTILATERAL LEVELS.

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ACCORDING TO THE 1975 ANNUAL REPORT OF THE BANK
OF ZAIRE, RESOURCES FROM THE FOREIGN GOVERNMENTAL

SECTOR (INCLUDING BOTH LOANS AND GIFTS FROM STATES
AND INTERNATIONAL ORGANISATIONS) TOTALLED 128 MILLION
ZAIRE FOR 1975 (1). ACCORDING TO A ZAIRE PUBLICATION,
THE NUMBER OF FOREIGN STAFF WORKING IN ZAIRE WITH THE
FRAMEWORK OF THIS COOPERATION WAS (ON 30TH SEPTEMBER
1976):

- IN BILATERAL COOPERATION: 1.475 EXPERTS, MADE UP
OF 920 BELGIANS, 307 FRENCH, 150 CHINESE, 48 GERMANS,
29 DANES AND 14 AMERICANS.

THE MAIN AREAS COVERED BY BILATERAL COOPERATION ARE:
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- NATIONAL EDUCATION: 561 TEACHERS 205 FOR THE
UNIVERSITY (UNAZA)

- AGRICULTURE: 236 EXPERTS

- HEALTH: 166 UNITS:

- IN MULTILATERAL COOPERATION: 99 UNITS OF WHICH 22
ARE FROM THE WORLD HEALTH ORGANISATION, 22 FROM THE
F.A.O., 11 FROM THE INTERNATIONAL LABOUR OFFICE, 9
IN EDUCATION AND 7 FINANCED BY EUROPEAN COMMUNITY
PROGRAMMES (OF WHICH 6 ARE INVOLVED IN AGRICULTURE).

PERHAPS THE ZAIRE AUTHORITIES SHOULD LOOK
CAREFULLY INTO THE POSSIBILITY OF STRENGTHENING INTERNA-
TIONAL COOPERATION IN THE FIELD OF PUBLIC ADMINISTRATION
(IN PARTICULAR IN MONITORING GOVERNMENT FINANCE AND
FOREIGN TRADE-).

THE TOTAL AMOUNT OF TECHNICAL ASSISTANCE MADE
AVAILABLE TO ZAIRE FOR THE PERIOD 1977 - 1981 STANDS

AT 315 MILLION DOLLARS - WITH 62 MILLION DOLLARS FOR 1977.

FOOTNOTE: (1) ON THE BASIS OF DECLARATION MADE LAST
JUNE TO THE CONSULTATIVE GROUP OF THE WORLD
BANK, OVERALL BILATERAL AID WOULD STAND
AT 22 MILLION DOLLARS FOR 1977.

(THESE FIGURES ARE GIVEN WITHOUT GUARANTEE OF ACCURACY
AND ARE INTENDED PURELY AS A GUIDE).
ONE SIXTH OF THIS AIDE IS SUPPOSED TO COME FROM ORGANI-
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SATIONS WITHIN THE UNITED NATIONS FAMILY.

THUS THE UNITED NATIONS DEVELOPMENT PROGRAMME
MAKES PROVISION, FOR THE PERIOD IN QUESTION, FOR A
CONTRIBUTION OF 34.5 MILLION DOLLARS TO BE MADE
AVAILABLE PRIMARILY FOR AGRICULTURE (27), SOCIAL
AND ECONOMIC PLANNING (16), EDUCATION (13), INDUSTRY
AND TRADE (13), TRANSPORT AND COMMUNICATION, LABOUR,
MANAGEMENT AND JOBS (8 FOR EACH OF THESE SECTORS).

THE PROGRAMME IS DESIGNED IN ACCORDANCE WITH
THE VAST POTENTIAL OF NON-TAPPED NATURAL RESOURCES AND
THE SHORTAGE OF QUALIFIED LABOUR.

THIS WAS DRAWN UP WITH A NATIONAL DEVELOPMENT
PLAN AND WITHOUT THE SUPPORT OF A COORDINATING BODY
FOR FOREIGN AID.

THE WORLD BANK GROUP HAS CARRIED OUT A PROGRAMME
SINCE 1969 TOTALLING 292.5 MILLION DOLLARS (AGRI-
CULTURE, EDUCATION, TRANSPORT, WATER SUPPLY, ETC.).
AS FOR THE EUROPEAN DEVELOPMENT FUND, THIS IS DIRECTING
AN INDICATIVE PROGRAMME WHICH AMOUNTS TO 100 MILLION
UNITS OF ACCOUNT, I.E. APPROXIMATELY 110 MILLION DOLLARS
FOR THE PERIOD 1976-1980. THE PROJECTS DESIGNATED TO
RECEIVE FUNDING ARE IN THE FIELDS OF AGRICULTURE,
TRANSPORT, EDUCATION, PUBLIC HEALTH AND THE ECONOMY.
IN ADDITION TO THIS THE EUROPEAN INVESTMENT BANK IS
ALSO HELPING TO FUND CERTAIN INDUSTRIAL PROJECTS ON
A COMPLEMENTARY BASIS.

THE AFRICAN DEVELOPMENT BANK FOR ITS PART
HAS FINANCED PROJECTS FOR A TOTAL OF 13.4 MILLION UNITS
OF ACCOUNT, I.E. ROUGHLY 16 MILLION DOLLARS.

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FINALLY, FOREIGN CURRENCY CREDITS HAVE BEEN
OPENED WITH THE SOCIETE FINANCIERE DE DEVELOPPEMENT
(SOFIDE) (1) :

FOOTNOTE: (1) SET UP IN 1970 BY THE KINSHASA GOVERNMENT
WITH A CAPITAL OF 2 MILLION ZAIRES WITH A
VIEW TO PROMOTING INVESTMENT IN ZAIRE.

BY THE WORLD BANK GROUP: 22.911.000 Z
THE EUROPEAN INVESTMENT BANK: 800.000 Z
THE KREDITANSTALT BUR WIEDERAUFBAU: 2.216.000 Z
THE SOCIETE BELGE D'INVESTISSEMENT (S.B.I.):
6.810.000 Z.

AN AGREEMENT BETWEEN THE S.B.I. AND SOFIDE (26TH
JANUARY 1973) MAKES PROVISION FOR THE REFINANCING
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OF SOFIDE LOANS OR HOLDINGS UP TO A TOTAL OF 300
MILLION BELGIAN FRANCS. THE BELGIAN STATE GUARANTEES
LOANS MADE BY THE S.B.I. TO SOFIDE REFINANCING PROJECTS

HAVE BEEN APPROVED TO DATE FOR A TOTAL OF 89.000.000
BELGIAN FRANCS.

6. FOLLOWING THE DECISION TAKEN BY THE INTERNATIONAL
MONETARY FUND IN 1977 TO MAKE FURTHER ALLOCATIONS TO
ZAIRE (2) THE TOTAL SUM OF ZAIRE'S DRAWING RIGHTS ON
THE FUND NOW STANDS AT 248.24 MILLION SPECIAL DRAWING
RIGHTS (3).

THIS SUM REPRESENTS 219.7 OF ZAIRE'S DRAWING
RIGHTS QUOTA (113 MILLION S.D.R.) WITH THIS BODY.
BECAUSE ZAIRE NEEDED TO EXCEED ITS QUOTA, THE MONETARY
FUND APPLIED THE RULE WHICH IMPLIES THAT THE STATE
APPLYING FOR FUNDS IS ACTIVELY COOPERATING IN RESEARCH
FOR APPROPRIATE SOLUTIONS TO ITS DIFFICULTIES.

FROM THIS CAME THE TWO STABILISATION PLANS WHICH
WERE DRAWN UP BY ZAIRE IN MARCH 1976 AND MARCH 1977.

7. THE STABILISATION PLANS WERE ADOPTED IN CONNEC-
TION WITH THE REQUESTS FOR FINANCIAL ASSISTANCE MADE TO
THE INTERNATIONAL MONETARY FUND.

FOOTNOTE: (2) 28.25 MILLION SPECIAL DRAWING RIGHTS FOR
COMPENSATORY FINANCING OF FLUCTUATIONS IN
EXPORT RECEIPTS AND 45 MILLION S.D.R. AS
STAND-BY CREDITS.

(3) SINCE 12TH MARCH 1976, 1 S.D.R. 1 ZAIRE.
AT THE END OF 1976 GROSS FOREIGN CURRENCY
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RESERVES TOTALLED 52 MILLION ZAIRES, THIS WAS NOT EVEN
SUFFICIENT TO COVER ONE MONTH'S EXPORTS. THE BALANCE
OF PAYMENTS DEFICIT WHICH AMOUNTED TO 183 MILLION S.D.R.'S
IN 1974 AND 442 MILLION IN 1975 WAS REDUCED TO 135 MILLION
S.D.R.'S IN 1976 (INCLUDING ARREARS IN FOREIGN DEBTS) (1).

THE 1977 TARGET IS TO BRING THE BALANCE OF PAY-
MENTS DEFICIT DOWN TO 55 MILLION S.D.R.'S BY MAINTAINING
TRANSFER RESTRICTIONS AND AN IMPORT LICENCE SYSTEM.

AS FOR EXPORT RECEIPTS, WHICH TOTALLED 871
MILLION S.D.R.'S IN 1976, THE 1977 TARGET IS TO INCREASE
THESE TO 1.080 MILLION BY VIRTUE OF AN ANTICIPATED
INCREASE IN COPPER AND COFFEE AND BY INCREASING OIL
PRODUCTION AND SPEEDING UP THE RATE AT WHICH FOREIGN
EXCHANGE IS BROUGHT BACK INTO THE COUNTRY.

DURING THE FIRST 4 MONTHS OF 1977 THESE RECEIPTS

TOTALLED 227 MILLION ZAIRES (AS OPPOSED TO 380 MILLION PROVIDED FOR IN THE STABILISATION PLAN).

AS FOR THE 1976 BUDGET DEFICIT THIS REACHED 313 MILLION ZAIRES, I.E. 12 OF THE GROSS NATIONAL PRODUCT (2). THIS WAS FINANCED EXCLUSIVELY BY THE BANKS WITH THE BURDEN THIS PLACED ON THE EXPANSION OF CREDIT AND WORSENING INFLATION WHICH WITH THE CURRENCY DEVALUATION OF MARCH 1976 - REACHED 80 THAT YEAR.

BY VIRTUE OF NEW TAXES IMPOSED ON COFFEE AND OIL, RECEIPTS SHOULD BE 36 HIGHER THAN IN 1976 AND THE 1977 BUDGETARY DEFICIT SHOULD BE CONTAINED AT ABOUT 175 MILLION ZAIRES.

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8. FROM MID-1975 ONWARDS ZAIRE APPROACHED CERTAIN WESTERN STATES, IN PARTICULAR FRANCE, GERMANY, BELGIUM AND ITALY, WITH A VIEW TO OBTAINING A CONSOLIDATION AGREEMENT FOR THE GUARANTEED FOREIGN DEBT.

FOOTNOTE: (1) THE 1976 TARGET WAS A DEFICIT OF 25 MILLION S.D.R.S

(2) THE TARGET FIXED IN THE STABILISATION

PLAN WAS A DEFICIT OF 60 MILLION ZAIRES
MAXIMUM.

ON THE 16TH JUNE 1976 AND 7TH JULY 1977 AGREEMENTS
WERE CONCLUDED WITHIN THE FRAMEWORK OF THE "CLUB OF
PARIS" REGARDING A CONSOLIDATION OF GUARANTEED TRADE
DEBTS RELATING TO CONTRACTS CONCLUDED BEFORE 1ST JANUARY
1976 AND GOVERNMENT LOANS MADE BEFORE SAID DATE.

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THE PROCES VERBAL CONTAIN INSTRUCTIONS TO BE OBSERVED BY
THE PARTNERS WHEN CONCLUDING BILATERAL AGREEMENTS
WITH ZAIRE. THE FIRST EXERCICE (JUNE 1976) COVERED
DEBTS WHICH FELL DUE IN 1975 AND 1976. (1).

THE 1977 AGREEMENT ALLOWS THE KINSHASA GOVERNMENT
TO PAY BACK 85 OF DEBTS FALLING DUE IN 1977 IN TEN
YEARS' TIME, WITH A FOUR YEAR PERIOD OF GRACE. (2)
THE REMAINING 15 IS TO BE PAID IN 3 YEARLY INSTALMENTS
OF 5 STARTING FROM 1978.

MEMBERS OF THE CLUB OF PARIS HAVE FIXED A
MEETING FOR THE START OF NOVEMBER 1977 IN ORDER TO STUDY
THE PORTION OF THE ZAIRE DEBT WHICH FALLS DUE IN 1978,
IN THE LIGHT OF DEVELOPMENTS IN THE COUNTRY'S BALANCE
OF PAYMENTS AND PROGRESS MADE IN THE STABILISATION
PLAN.

A NATIONAL DEBT MANAGEMENT OFFICE WAS SET UP
IN SEPTEMBER 1976 IN ORDER TO ENSURE A COHERENT POLICY
FOR THE FUTURE. IN 1977 THE NATIONAL DEBT, DIRECT
AND INDIRECT (GUARANTEED BY THE STATE) SHOULD NOT
INCREASE BY MORE THAN A MAXIMUM OF 100 MILLION ZAIRES
IN THE MEDIUM TERM (1 5 YEARS). IT IS THUS
IMPORTANT THAT FOREIGN FUNDING BE USED EXCLUSIVELY FOR
PRIORITY PROJECTS CURRENTLY ON HAND.

AS FOR BANK CREDIT - THIS SHOULD HAVE BEEN
KEPT WITHIN AN EXPANSION LIMIT OF 22 IN 1976, BUT
DID, IN FACT, EXPAND TO 47 DUE IN PARTICULAR TO THE
INFLATIONARY EFFECTS OF THE BUDGET DEFICIT.

FOOTNOTE: (1) CAPITAL SUM AND INTEREST FOR THE PERIOD
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1ST JANUARY 1975 - 30TH JUNE 1976

CAPITAL SUM DURING THE 2ND QUARTER OF 1976

(2) CAPITAL SUM AND INTEREST: 1ST QUARTER
1976 CAPITAL SUM 2ND QUARTER

THIS EXPANSION SHOULD BE CONTAINED AT 24 IN
1977 BY FIXING QUARTERLY CEILINGS ON BANK ADVANCES TO
THE TREASURY.

9. IT IS OBVIOUSLY TOO EARLY TO DRAW CONCLUSIONS
FROM THE STABILISATION PLAN ADOPTED IN MARCH 1977.
AS FOR THE 1976 PLAN, EVEN THOUGH THIS PRODUCED SEVERAL
ENCOURAGING RESULTS (NOTABLY A REDUCTION IN THE BALANCE
OF PAYMENTS DEFICIT) IT HAS BEEN FAR FROM ACHIEVING
THE TARGETS SET AT THE START.

ZAIRE'S ECONOMIC REVIVAL OBVIOUSLY DEPENDS
ON THE REALISATION OF THESE STABILISATION PLANS.

IF THE 1977 RESULTS WERE TO BE IN LINE WITH
THE TARGETS SET THEN THIS WOULD BRING ABOUT A CONSIDER-
ABLE REDUCTION IN DOMESTIC DEMAND - ESPECIALLY IN
THE FIELD OF NATIONAL EXPENDITURE AND PRIVATE CONSUMPTION.

HOWEVER, EVEN IF THE PLAN WERE FULLY REALISED,
THIS WOULD NOT SOLVE ALL THE DIFFICULTIES THAT
ZAIRE IS CURRENTLY EXPERIENCING. ZAIRES FOREIGN DEBT IS
TOO HEAVY A BURDEN; EVEN IF PRICES AND THE EXPORT
BALANCE WERE TO DEVELOP FAVOURABLY, THE NEXT THREE
OR FOUR YEARS WOULD STILL BE DIFFICULT ONES.

10. UPON THE INITIATIVE OF THE FIRST NATIONAL CITY

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BANK AND THE MORGAN TRUST, A CONSORTIUM OF PRIVATE
BANKS NEGOTIATED AN AGREEMENT WITH THE BANK OF ZAIRE
WHICH WAS SIGNED IN LONDON ON 5TH NOVEMBER 1976
AND COVERED BANK CREDITS THAT WERE NOT GUARANTEED
BY STATE CREDIT INSURANCE ORGANISATIONS.

THIS AGREEMENT MAKES PROVISION, INTER ALIA,
FOR ZAIRE TO PAY OFF INTEREST ARREARS AND TO PAY
BACK CAPITAL IN INSTALMENTS AS FROM NOVEMBER 1976.
THE BANKS, FOR THEIR PART, UNDERTOOK TO PROVIDE 250
MILLION DOLLARS MEDIUM-TERM CREDIT FOR THE BANK OF
ZAIRE.

THE PARTIES ARE STILL NEGOTIATING AS REGARDS
THE EXECUTION OF THIS AGREEMENT.

11. CONCLUSIONS AND SUGGESTIONS
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THE PRESENT MEMORANDUM DOES NOT CLAIM TO BE
A PROFUND STUDY OF ZAIRE'S ECONOMY. IT IS SIMPLY
INTENDED TO HIGHLIGHT CERTAIN ECONOMIC AND FINANCIAL
REALITIES IN ZAIRE, WHICH, IN THEMSELVES, SUGGEST
PRACTICALITIES AND CONDITIONS FOR REVIVING THE COUNTRY'S
ECONOMIC. THIS NECESSARILY CALLS FOR A REORGANISATION
OF BUDGETARY AND FINANCIAL SYSTEMS, FOR A WELL-MONITORED
CREDIT AND INVESTMENT POLICY BASED ON PRIORITIES,
FOR A HIGHER OUTPUT FROM BUSINESS, FOR MORE
EFFICIENT ADMINISTRATION AND VERIFICATION METHODS
IN THE FIELD OF GOVERNMENT FINANCE AND FOREIGN TRADE.

THIS REQUIRES VERY STRINGENT ADMINISTRATIVE, FINANCIAL
AND ECONOMIC PLANNING WITH SUSTAINED EFFORT IN THE
PRIORITY SECTORS DESIGNATED BY THE ZAIRE AUTHORITIES.
THUS, REVIVAL OF ZAIRE'S ECONOMY DOES NOT DEPEND
ESSENTIALLY ON OUTSIDE FACTORS SUCH AS DEVELOPMENTS
IN THE PRICE OF COPPER, CONSOLIDATION OF FOREIGN
DEBTS AND FOREIGN INVESTMENT.

IF IT IS TO BE HOPED THAT THE FINANCIAL AUTHORITIES RESPONSIBLE (BOTH NATIONAL AND INTERNATIONAL, GOVERNMENTAL AND PRIVATE) CAN FULFIL THEIR WISH TO CONTINUE AND DEVELOP COOPERATION AND FINANCIAL AID PROGRAMMES FOR ZAIRE, THEN THIS CALLS FOR AN IMPROVEMENT OF THE ECONOMY AND ALSO THE MAINTENANCE OF A SUFFICIENT LEVEL OF CREDIBILITY IN THE ADMINISTRATIVE, FINANCIAL AND ECONOMIC STRUCTURES OF THE COUNTRY. THE SETTING UP OF A "COUR DES COMPTES" (ANNOUNCED BY PRESIDENT MOBUTU IN HIS SPEECH OF 1ST JULY) AND REINFORCEMENT OF CUSTOMS CONSTITUTE TWO INSTANCES WHERE INTERNATIONAL COOPERATION COULD BRING

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BENEFICIAL RESULTS FOR ZAIRE'S GOVERNMENT FINANCES.

THE CURRENT SITUATION CALLS FOR MORE ADVANCED AND MORE CLERUCUT DIRECT COOPERATION THAN HAS BEEN THE CASE TO DATE, BETWEEN STATES, THE INTERNATIONAL ORGANISATIONS INTERESTED IN COOPERATING WITH THE REPUBLIC OF ZAIRE.

12. THE MOST SUITABLE CONTEXT FOR DISCUSSION IN WHICH TO PROMOTE AN EXAMINATION OF WAYS OF REVIVING ZAIRE'S ECONOMY AT AN INTERNATIONAL LEVEL, WOULD, WITHOUT DOUBT, BE THE CONSULTATIVE GROUP SET UP WITHIN THE WORLD BAND. WE ALREADY KNOW HOW MUCH EFFORT HAS BEEN PUT INTO AIDING ZAIRE'S ECONOMY WITHIN THIS GROUP AND WHAT WORK HAS BEEN ACCOMPLISHED.

ALL THOSE STATES AND INTERNATIONAL AND REGIONAL ORGANISATIONS WHICH ARE ABLE TO MAKE A CONTRIBUTION TOWARDS REVIVING THE COUNTRY'S ECONOMY COULD, IN FACT, GET TOGETHER IN THIS GROUP.

PRELIMINARY FORMAL CONSULTATIONS BETWEEN ZAIRE, THE MAIN STATES INVOLVED AND BANK AUTHORITIES WOULD PERMIT A BETTER DEFINITION OF THE TERMS OF REFERENCE AND OF THE OPERATIONAL PRACTICALITIES OF THIOS CONSULTATIVE GROUP:

A) THE GROUP, WHICH MET IN PARIS IN JUNE, AGREED TO HOLD A FURTHER MEETING WHEN ZAIRE'S FIVE-YEAR DEVELOPMENT PLAN (1978-1982) COULD BE SUBMITTED FOR EXAMINATION. THIS COULD BE INCLUDED IN THE FORMAL CONSULTATIONS REFERRED TO ABOVE

A DATE COULD BE FIXED FOR AS SOON AS POSSIBLE

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ACTION IO-14

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SO THAT THE ZAIRE AUTHORITIES COULD GIVE AN ACCOUNT
OF THE RESULTS ACHIEVED FROM THE MARCH 1977
STABILISATION PLAN AND ALSO FROM THEIR ECONOMIC AND
FINANCIAL PROGRAMMING.

CONSULTATIONS COULD ALSO COVER THE FREQUENCY OF
GROUP MEETINGS.

B) IT IS WITHIN THIS GROUP THAT THE MODES AND CONDITIONS
OF ZAIRE'S ECONOMIC REVIVAL SHOULD BE DEBATED
TOGETHER WITH THE EXECUTION OF THE DEVELOPMENT PLAN.
THIS COMPRISES IDENTIFICATION OF THE SECTORS CHOSEN
AS PRIORITY SECTORS BY THE ZAIRE AUTHORITIES, TOGETHER
WITH OPERATING CONDITIONS OF ADMINISTRATIVE AND
VERIFICATION STRUCTURES;

C) THE CONSULTATIVE GROUP HAS JUST SET UP A SUBSIDIARY
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WORKING BODY TO DEAL WITH AGRICULTURAL PROBLEMS

AND TRANSPORT, IN CONNECTION WITH THE FLOW OF PRODUCTS.

THE MORE GENERAL PROBLEM OF SETTING UP SUB-GROUPS FOR KEY QUESTIONS WHICH ARISE IN ZAIRE'S ECONOMIC REVIVAL, COULD ALSO BE MENTIONED IN THE CONTEXT OF PRELIMINARY CONSULTATIONS.

THE MEMBERS OF THE CONSULTATIVE GROUP COULD THEN EXAMINE, SECTOR BY SECTOR, PROJECTS ALREADY ON HAND AND ATTEMPT TO DEFINE, STILL ON A SECTOR BASIS, WHAT IS REQUIRED FOR AN ECONOMIC REVIVAL AND FOR EXPANSION OF ACTIVITY;

D) STATE PARTICIPATION IN THE CONSULTATIVE GROUP WOULD ALSO MERIT THE ATTENTION OF GOVERNMENTS CONCERNED. PERHAPS IT WOULD BE POSSIBLE TO EXPAND THE GROUP TO INCLUDE OTHER STATES WHICH WOULD ALSO BE ABLE TO MAKE A CONTRIBUTION TOWARDS ZAIRE'S ECONOMIC REVIVAL.

THE LEVEL OF REPRESENTATION OF THE VARIOUS STATES IN THE GROUP'S WORK SHOULD ALSO BE DISCUSSED.

BY DEFINING THE PRACTICALITIES OF ZAIRE'S ECONOMIC REVIVAL IN A MULTI-LATERAL CONTEXT IN THIS WAY, THE ZAIRE AUTHORITIES WOULD BECOME AWARE OF THE MAIN CONCERNS OF THE STATES AND INTERNATIONAL ORGANISATIONS ON THE ONE HAND, AND THESE STATES AND ORGANISATIONS WOULD, ON THE OTHER HAND, GAIN DEEPER INSIGHT INTO THE COUNTRY'S REAL NEEDS AND THE DEVELOPMENT OF EFFORTS MADE TOWARDS STABILISING THE ECONOMY, AND BE ABLE TO CALCULATE THESE ACCORDINGLY.
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THIS WOULD ALSO HAVE THE ADVANTAGE OF ENABLING THE VARIOUS STATES TO BALANCE OUT THEIR COOPERATION EFFORTS TO A GREATER DEGREE SO THAT THEIR AID WAS COMPLEMENTARY. THIS COULD ONLY SERVE TO BENEFIT THE EFFICIENCY OF ZAIRE'S ECONOMY.

AT A LATER STAGE WHEN THE PRACTICALITIES OF AN ECONOMIC REVIVAL HAD BEEN DETERMINED, THE GROUP COULD PERHAPS TURN ITSELF INTO A PLEDGING CONFERENCE WHERE STATES AND ORGANISATIONS COULD INDICATE THE LEVEL AND MODE OF COOPERATION THEY WOULD BE WILLING TO PROVIDE. OLSEN

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